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US OFFICIALS ONLY

10 July 1952

OCI No. 6437

Copy No.

280

CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

This digest of significant reports has been prepared primarily for the internal use of the Central Intelligence Agency. It does not represent a complete coverage of all current reports received. Comments represent the immediate views of the Office of Current Intelligence.

State Dept. review completed

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THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECS. 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

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GENERAL

1. Swiss Foreign Office believes USSR more interested in Far East than Europe: A source in the Swiss Foreign Office recently stated that the synthesis of the Foreign Office thinking, based on reports received from its various missions, is that the USSR is more interested in the Far East than in Europe.

The Swiss believe that the Soviet Union has no particular interest in Germany except to keep it in a state of chaos as a means of keeping the Allies off balance. If it cannot have a united Germany unarmed, then the USSR prefers a divided Germany with both sides armed, thus improving the possibility of civil war.

The American Legation in Bern notes that a similar viewpoint was expressed by Jules Humbert-Droz, one-time Secretary of the Comintern and now secretary of the Swiss Social Democratic Party. (C Bern Desp 1059, 4 June 52)

Comment: Soviet foreign policy generally is guided by its capabilities for success in a given area rather than a preconceived view of priority. It is unlikely, also, that the USSR would now encourage conditions that could lead to civil war in Germany which would be impossible to control.

EASTERN EUROPE

2. Disaffection reported among Rumanian railway workers: The American Legation in Bucharest has been informed by a reliable source that Bucharest railyard workers refused to accept their pay two weeks ago at new reduced piece rates. When reminded by activists that "old railroader Gheorghiu-Dej" was doing his best for them, the workers were alleged to

SECRET

1 10 July 52

SECRET

have replied that "Gheorghiu-Dej has left our rails." No punitive action has yet been reported. (C Bucharest Weeka 27, 4 July 52)

Comment: Gheorghiu-Dej is given credit for leading a bloody railroad strike in the Grivita section of Bucharest in 1933. Although he has since been called a champion of the railroad workers, it is doubtful that he favors any particular group, especially now that he has become premier and appears to be directing the regime along more stringent lines.

3. New Rumanian decree calls for increased coal production: A 4 July decision by the Rumanian Government and the Communist Party set a production goal of 20 to 25 million tons of coal annually by the end of the second five-year plan which will probably end in 1960. Achievements were noted, but it was admitted that the production plan for 1951 was not realized.

The Ministry of Oil Industry and Coal Industry has been ordered to work out plans by November 1952 for the development of all aspects of the coal-mining industry. New wage and premium systems have been introduced, and measures are reportedly being taken to attract and protect mine workers. (R FBIS Bucharest, 8 July 52)

Comment: Planned goals for coal production have not been met in the past two years, and it is estimated that Rumania will produce only about four million tons in 1952. Barring radical changes in the Rumanian coal industry, it appears very unlikely that the 1955 plan of 8.5 million tons or the announced goal for 1960 can be attained.

A national conference of coal miners' representatives met on 28 and 29 June, at which Gheorghiu-Dej, the new premier, cited improvements in the coal industry and called for more production. The coal industry is apparently the first to feel the tightening up expected after the recent purge of top Rumanian leaders.

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FAR EAST

4. Japanese engaged in anti-Korean campaign: An intensified campaign of accusations against the Korean minority in Japan by both the press and officials. according to Ambassador Murphy, [redacted] It is occurring on the eve of the resumption of Japan-Korea negotiations which will include the question of deportation of Korean nationals from Japan.

25X1



Comment: The strong leftist Korean element in Japan has taken a leading role in recent Communist disturbances there, and Prime Minister Yoshida has insisted that the deportation issue be decided on a priority basis in the Japan-Korea talks.

25X1

5. Chinese Communists plan National Defense Industrial Center: The Chinese Communists have reportedly decided to build a "National Defense Industrial Center" at Chuchou, an important railroad junction between Hankow and Canton. This center is to include a steel plant with an annual capacity of 50,000 to 70,000 tons, an expansion of the arsenal and the railway factory to produce "steel bars" and perform major overhauls on locomotives.

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Comment: This is the first report of Communist plans to construct an industrial center at Chuchou. In 1948 there was a small railroad repair shop there which the Nationalists planned to expand. Its present status is unknown. There was also a small arsenal at Chuchou which some sources claim was dismantled and moved either to Hankow or the Northwest in mid-1951; others report that it was expanded in 1951 into one of the largest arsenals in the Central-South District.

SECRET

SECRET

SOUTH ASIA

6. Pakistan rejects Soviet note of protest: On 8 July, the Pakistan Government rejected a Soviet note protesting its appointment at the request of the United States of a three-man military group to investigate Communist charges that the United Nations had mistreated prisoners of war held on Koje Island. (C Karachi 36, 8 July 52)

Comment: This is the latest indication that the Pakistani Government is not readily subject to Soviet pressure and that its attitude toward the USSR is not materially influenced by the immediate status of its relations with Western countries.

India has refused the American request to appoint a similar team of investigators.

NEAR EAST - AFRICA

7. Mossadeq likely to obtain Parliament's approval for his program: The Acting Governor of the Iranian National Bank now believes that Mossadeq will be able to persuade Parliament to pass the financial legislation necessary for the government to continue. The economic counselor of the American Embassy predicts that Mossadeq could carry on for a year or more if he could also persuade Parliament to authorize him to use 45,000,000 to 50,000,000 dollars of the gold currency reserve. (S Tehran 109, 8 July 52)

Comment: Mossadeq has insisted that he could not continue as Prime Minister unless he were first assured of parliamentary support for the reforms which he considers necessary if Iran is to be deprived indefinitely of its oil revenues. His program is expected to include electoral changes, expansion of the note issue, reduction of the number of government employees and increased taxes.

The recent Majlis and Senate recommendation that Mossadeq remain as Prime Minister suggests that he stands a good chance of persuading parliament to adopt his program.

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8. Turkey prepared to approach Arabs on Middle East defense: Turkish Foreign Minister Koprulu believes that Turkey is the best qualified of the Allied powers to approach the Arab countries with respect to the proposed Middle East Defense Organization. As an alternative, he suggests that the power with the most influence in each Arab country make the initial contact.

Koprulu states that a major problem is the possibility that the Arab governments might insist on first discussing the proposed organization in the Arab League. Under such circumstances, he believes the Western defense proposals would "get nowhere." (S Ankara 32, 5 July 52)

Comment: The Turks have previously expressed concern that attempts by Britain and France to strengthen their influence in the Arab area might jeopardize acceptance of the Middle East defense plan. Turkey has also indicated that it will cooperate in promoting a stronger defense of the area, but that it believes the Anglo-Egyptian impasse is a serious block to the establishment of a defense organization.

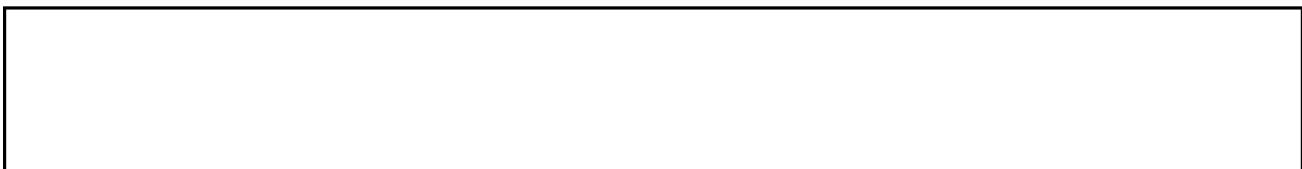
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WESTERN EUROPE

9.

Allied Commander plans to surrender civil authority to Italian official in Trieste: General Winterton, Allied Commander of Zone A of Trieste, states that he now intends to surrender his authority over those civil affairs assigned to the Italian director of administration under the London agreement. He has reversed his earlier position because he feels it would be "politically impossible" to resist for any length of time Italian encroachment on the Zone Commander's power. 25X1



Comment: The United States and Britain have assured Yugoslavia that the Zone A Commander will retain final authority under the London agreement. An abdication of Winterton's powers now would reinforce Yugoslav fears that there has been a secret agreement giving Italy political control of Zone A and would probably provoke renewed protests from Belgrade. It would also make the negotiation of any Yugoslav-Italian settlement of the Trieste issue more unlikely. 25X1

10.

East German plans for march on West Berlin on 11 July reported:

25X1 of a 30 June conversation between two officials of the German youth organization, one functionary asked, "Are you coming along to West Berlin on the 11th?" and added that "they" were seeking reliable party members for the task. The other allegedly asserted that those going would have to leave all documents behind, because "we expect not all will come back."

American observers in Frankfurt note that this is the first evidence that Communist plans for 11 July include incursions into West Berlin. 25X1

Comment: There have been previous reports that a military demonstration in East Berlin is planned for 11 July, during the Socialist Unity Party Congress, but no earlier reports of planned mass action against West Berlin.

The Communists have demanded "reunification of Berlin" and, on 30 June, the SED pledged to Stalin that it would "mobilize the

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West Berlin population to mass actions and political strikes... against the Reuter regime."

11. Figl sees Austria as major Soviet pawn in East-West relations: Austrian Chancellor Figl is reliably reported to have told [redacted] of his belief that Soviet policy toward Austria will not be affected by the final inclusion of West Germany in the EDC. This view, however, is reputedly not shared by the Austrian Cabinet as a whole, which fears that a Soviet "defeat" in Germany would be recouped at Austrian expense.

Figl reportedly believes that the Soviet Union regards Austria as its "trump card" in the East-West struggle. So long as the occupation of Austria continues the West can be threatened with the partition or seizure of Austria. The Chancellor does not anticipate a solution of the Austrian question except within the framework of a compromise of all major issues between the East and West. ([redacted]) 25X1A

Comment: There is evidence that the Soviet Union regards an Austrian settlement as contingent upon a general settlement, and considers the status quo in Austria a satisfactory interim solution.

While related, the USSR's Austrian and German policies have not always been parallel. Although confirmation of the divided status of Germany might compel the Soviet Union to reassess its policy in Austria, there is no evidence to support the view that a major policy change is imminent.

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12. European international financiers reportedly expect war within eight months: [redacted]

[redacted] European international financiers expect war within eight months, and that they are now making their financial arrangements on a short-term basis. [redacted] the Con [redacted]

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13. Negotiations for Dutch Cabinet formation apparently progressing satisfactorily: The negotiations for the formation of a new Dutch Government are apparently proceeding favorably on the

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basis of the program of Premier-designate Drees, Labor Party leader. Discussions with the Catholic Party and the smaller Anti-Revolutionary Party and Christian Historical Union are being kept secret; but the US Embassy at The Hague believes that if the talks continue at their present pace and agreement is reached on the division of the Cabinet portfolios, a government may be formed within two weeks or less.

There have been reports in the Dutch press that the Netherlands New Guinea issue has been raised in the talks and may develop into an "unsettling factor." The American Embassy, however, believes that the most serious points at issue are of a financial and economic nature. (C The Hague 33, 8 July 52; R The Hague 34, 8 July 52)

Comment: Prime Minister Drees' domestic program reportedly calls for a consolidation of social welfare reforms made to date, rather than for new and sweeping welfare provisions.

LATIN AMERICA

14. Cuban politico-terroristic group planning armed demonstration: Members of the politico-terroristic Guiteras Revolutionary Action group (ARG) are reportedly planning an armed demonstration in the headquarters of the non-Communist national Confederation of Cuban Workers (CTC) on 12 or 13 July during the National Council meeting. The demonstration is planned as partial retaliation against the CTC for its failure to support the ARG when Batista arrested Marco Hirigoyen, secretary general of the union of workers and employees of Autobuses Modernos.

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Comment: On 28 June the Cuban Army took over Autobuses Modernos, Havana's main bus line, reportedly to halt the wave of criminal sabotage on the line, and jailed the influential Marco Hirigoyen, who also heads the ARG.

The majority of the CTC leaders continue to give their full support to Batista and govern their cordial relations with him by the terms of the "understanding" reached during the first days of the new regime.

Should the reportedly planned demonstration be carried out, it might possibly stimulate other overt acts of dissension by certain labor elements who are opposed to the "peace-at-any-cost" policy of the present CTC leadership.

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TOP SECRET
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CIA No. 49728
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46

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EASTERN EUROPE

1. Albanian exile leaders express views on future of Albania: On 30 June some Albanian exile leaders of the National Independence Bloc (BKI) met in Rome with a Yugoslav emissary who approached them to sound out their ideas regarding a "free Albania." The BKI leaders emphasized the necessity for respecting the boundaries and political independence of a liberated Albania. They stated that no move against Albania should be made without the prior knowledge and consent of the United States Government.

In reply to the query as to whether a Communist Party would be tolerated in "free Albania", the Albanians stated that they favor freedom of action for all political parties which are not controlled from abroad; however, it would be more realistic to speak of a Socialist Party in Albania.

25X1 [redacted] the Yugoslav emissary may attempt to persuade the BKI men resident in Yugoslavia that he and their leaders in Rome agree to the need for implementing specific programs for common action, but that the BKI will attempt by correspondence to neutralize any such report.

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Comment: The Yugoslav emissary had said earlier that liberation of Albania can come only from the Yugoslav-sponsored Albanian Committee which the United States and Great Britain recognize as being stronger than any other Albanian exile group. Although the Yugoslavs may have as high as 500 Albanians sympathetic to the BKI under their control in Yugoslavia, it is presumptive to believe that the BKI membership will follow Yugoslav wishes without the approval of the Western powers. BKI influence within Albania probably does not extend beyond 10 to 15 percent of the population.

TOP SECRET

TOP SECRET

FAR EAST

25X1C

2. Indian diplomat criticizes US policies in Far East: Indian Ambassador R. K. Chettur in Tokyo, [redacted] 25X1C [redacted] recently blamed the present world situation on "increasing American intransigence."

Expressing approval of the May Day Communist riots, Chettur stated that American policy in Japan was likely to lead to serious internal and international consequences. He also charged that American indecision and vacillation in the Korean truce talks "has changed the fundamental terms of the negotiations," resulting in a loss of prestige for the United States.

Western diplomats in Tokyo believe that Chettur is seeking support in Japan for Indian groups which favor a compromise with the Soviet Union. [redacted] 25X1A

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Comment: Chettur is one of several leftist Indian diplomats who exert anti-American influence on Prime Minister Nehru. He reportedly has aroused the resentment of the Japanese Government for his open support of the left-wing Socialists, a minority party which favors strict neutrality for Japan and bitterly opposes the Japanese Peace Treaty terms and the US-Japan Security Treaty.

TOP SECRET

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Approved For Release 2002/05/20 : CIA-RDP79T01146A001100110001-8

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